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The Honorable Paul E. Kanjorski
2353 Rayburn House Office Building
Washington, D.C. 20515

The Honorable Christopher Shays
1126 Longworth House Office Building
Washington, D.C. 20515

Dear Congressman Kanjorski and Congressman Shays:

We have nearly completed the process of gathering information responsive to your inquiry regarding whether WorldCom senior executives have participated in IPO allocations at Salomon Smith Barney (SSB). However, as Congressman Kanjorski and I discussed earlier this afternoon, we have been unable to find a lawful way to provide you with this information without violating the privacy provisions of the Gramm-Leach-Bliley Act of 1999.

That Act prohibits a financial institution from disclosing nonpublic personal information about its customers without their consent unless one of a small number of exceptions applies. Under the law, unless a customer consents, the only circumstance under which SSB could provide you with the information you have requested would be in response to a subpoena. See §248.15 of Regulation S-P. In the absence of either customer consent or a subpoena, we cannot provide the information to you without violating the law. Although we are seeking to obtain consents, we have not yet received responses.

Please be assured that we are ready and willing to provide this information, if the legal impediment can be cleared. Indeed, we are preparing to produce the information you seek to the NASD, whose recent request falls within one of the specified exceptions of Gramm-Leach-Bliley and to which we therefore are not barred from responding.

It is important to put the IPO allocation matter in some context. SSB, like many other major brokerage firms, acts as an underwriter of securities, including IPOs. An underwriter sells shares of securities that it has purchased from a company seeking to raise capital with the purpose of distributing such shares to the public. All investors to whom shares are allocated must purchase those shares by paying the offering price to the underwriter. The manner in which SSB allocates shares of IPOs is consistent with applicable laws, regulations and industry practice. Indeed, many securities offerings have multiple underwriters who work together to allocate shares to investors.

The securities laws permit underwriters very wide discretion with respect to allocations of IPOs and the SEC has acknowledged this is standard practice. If an IPO is oversubscribed -- i.e., the demand for the shares exceeds supply -- the underwriters must necessarily choose which interested customers will receive shares and the size of each allocation. It is common practice among the syndicate departments of brokerage firms to allocate such shares to institutional investors and wealthy individuals who have the financial wherewithal to buy blocks of shares and assume the related financial risk. The SEC's own website describes the underwriting process for IPOs:

> The underwriters [of an IPO] in consultation with the company decide on the basic terms and structure of the offering well before trading starts, including the percentage of shares going to institutions and to individual investors. Most underwriters target institutional or wealthy investors in IPO distributions.

In short, current law, rules, and practice recognize and permit allocation programs like those at SSB and a great many other Wall Street firms.

We hope to continue to work with you constructively on this matter.

Sincerely yours,

Jane C. Sherburne
Deputy General Counsel